

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ECON, CA
SUBJ: WHEN WILL CONTROLS END AND HOW?

1. SUMMARY: FEDERAL/PROVINCIAL FIRST MINISTERS APPEAR
TO BE AGREED ON CONTINUATION OF WAGE AND PRICE CONTROLS
AFTER MARCH 1977 BUT WILL PROBABLY MEET EARLY IN
1977 TO DISCUSS EVENTUAL REMOVAL OF CONTROLS. END
SUMMARY

2. PRIME MINISTER TRUDEAU TOLD NEWS CONFERENCE
FOLLOWING END OF FIRST MINISTERS' CONFERENCE ON
DECEMBER 14 THAT CONSENSUS OF PREMIERS SHOWED PROVINCES
WERE SATISFIED WITH GOC ANTI-INFLATION PROGRAM AND
WISHED CONTINUE CONTROLS AFTER PROVINCIAL AGREEMENTS
EXPIRE NEXT MARCH. HOWEVER, MINFIN MACDONALD ALSO
TOLD PRESS THAT MEETING OF FEDERAL/PROVINCIAL FINANCE
MINISTERS WOULD PROBABLY TAKE PLACE IN JANUARY OR
FEBRUARY TO DISCUSS METHODS OF PHASING-OUT CONTROLS.

3. MEDIA REPORTS OF CONFERENCE CLAIMED FINMIN MACDONALD
TOLD PROVINCIAL PREMIERS THAT GOC PLANNING FOR METHODS
OF DECONTROL WAS FLEXIBLE AND THAT GOC WISHED DISCUSS
REMOVAL OF CONTROLS WITH PROVINCES AND WITH LABOR AND
BUSINESS GROUPS BEFORE FINALIZING PROGRAM. PRESS ALSO
REPORTED THAT MACDONALD PUT FORWARD TO PREMIERS
POSSIBLE ALTERNATIVE METHODS OF DECONTROL (E.G.,
INCREASING SIZE OF FIRMS SUBJECT TO GUIDELINES, REMOVING
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INDIVIDUAL FIRMS ACCORDING TO SECTOR AND/OR ALLOWING

PROVINCES TO ASSUME CONTROL OF WAGE GUIDELINES FOR
PROVINCIAL EMPLOYEES).

4. PROVINCIAL PREMIERS APPARENTLY CAME AWAY FROM
CONFERENCE WITH NO CLEAR IDEA OF WHEN MACDONALD WANTED
BEGIN PHASE-OUT OF CONTROLS. NEWFOUNDLAND PREMIER
FRANK MOORES WAS QUOTED IN PRESS AS SAYING HE THOUGHT
MACDONALD WANTED CONTROLS TO LAST UNTIL DECEMBER 1978
WHILE SASKATCHEWAN PREMIER ALLAN BLAKENEY TOLD REPORTERS
MACDONALD "DIDN'T MAKE IT CLEAR" WHEN STAGED PROCESS
OF DECONTROL WOULD BEGIN.

5. ONTARIO PREMIER WILLIAM DAVIS WAS QUOTED IN
GLOBE AND MAIL OF DECEMBER 15 AS SUGGESTING THAT
FEDERAL GOVERNMENT SHOULD SET UP AGENCY TO MONITOR
WAGE AND PRICE INCREASES AFTER CONTROLS END. AGENCY
WOULD "SEEK VOLUNTARY COMPLIANCE WITH
GUIDELINES."

6. COMMENT: APPARENTLY PROVINCIAL PREMIERS ARE
REASONABLY SATISFIED WITH GOC "SUCCESS" IN ANTI-INFLATION
PROGRAM AND ARE WILLING LET GOC TAKE BRUNT OF CRITICISM
FOR ANY PROBLEMS (E.G. LABOR OPPOSITION, SLOWDOWN IN
INVESTMENT CAPITAL SPENDING, AND BUREAUCRATIC COSTS)
ASSOCIATED WITH CONTROLS. FROM COMMENTS MADE TO
REPORTERS FOLLOWING CONFERENCE, IT WOULD APPEAR THAT
ONLY SASKATCHEWAN PREMIER BLAKENEY IS NOT CONVINCED
OF PROGRAM'S BENEFITS (AND EVEN BLAKENEY IS
QUOTED AS SAYING HE WOULD GO ALONG WITH OTHER PROVINCES),
AND, THEREFORE, IT SEEMS LIKELY THAT MOST PROVINCES
WILL AGREE TO CONTINUE CONTROLS PROGRAM IN SOME FORM
AFTER MARCH 1977.
ENDERS

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